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# FOREIGN POLICY BULLETIN

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## WILL GERMANY AGAIN PLAY EAST AND WEST AGAINST EACH OTHER?

SECRETARY of State Byrnes' address of September 6 at a special meeting of Allied and German officials in the Stuttgart Opera House gave new precision to various aspects of American policy toward Germany which, although adumbrated in previous government statements, had not in the past been sufficiently clarified. The core of Mr. Byrnes' speech was that the United States is opposed not only to Germany's lack of economic unity, but also to the splitting up of its territory; that Germany must not become "a pawn or a partner in a military struggle for power between the East and the West"; that a central administrative agency, a German National Council composed of "democratically responsible" officials, should be established as soon as possible to assure unification of Germany; and that "as long as an occupation force is required in Germany the Army of the United States will be a part of that occupation force."

The American government had already indicated its determination not to withdraw from Germany for a long period, notably in Mr. Byrnes' own proposal of April 29 for a twenty-five year alliance of the Big Four, which met with a cool reception in Moscow and Paris. Yet until now the rapid demobilization of American forces on the continent had caused many of our wartime allies, including Russia, to assume that, the moment the peace treaties with Germany, Italy, and the Axis satellites had been concluded, the United States would again disinterest itself in the affairs of Europe, using such military weight as it retains to bolster its interests in the Pacific and in the Western Hemisphere. The Stuttgart meeting, staged with a view to its maximum effect on Russia, as well as on the Germans and the rest of Europe, was an unmistakable warning to Moscow that the United States intends to stay on the

continent as long as it may prove to be necessary.

BYRNES BIDS FOR GERMAN SUPPORT. At the same time, Mr. Byrnes made a bid for the support of the Germans comparable to that of Mr. Molotov on July 10\*—and based on a similar appeal to the Germans' ingrained desire to maintain the territorial unity of the Reich, Mr. Byrnes' suggestion for reconsideration of Germany's eastern border brings into the open some extremely delicate questions. At the Potsdam Conference the Big Three agreed, "in principle," to the proposal of the Soviet government concerning "the ultimate transfer to the Soviet Union of the City of Königsberg and the area adjacent to it," subject to expert examination of the actual frontier—and on this point, Mr. Byrnes said, "we will certainly stand by our agreement." So far as Poland is concerned, however, the Potsdam Declaration stated that, "pending the final determination of Poland's western frontier," certain specified German territories, including the portion of East Prussia not placed under the administration of the U.S.S.R. and including the former free City of Danzig, "shall be under administration of the Polish State." The use of the phrase "pending the final determination" clearly left the way open for review of this presumably transitional settlement, although the Poles, in effect, have considered the Potsdam decision with respect to their western border as final, especially since cession of German territory to Warsaw was promised by the Soviet government as compensation for its own occupation of eastern Poland. Now Mr. Byrnes declares that the United States will support revision of Poland's northern and western frontiers in Poland's favor. "However," he added, "the extent of the area to be ceded to Poland must be determined when the final settlement is agreed

\*See *Foreign Policy Bulletin*, July 19, 1946.

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upon"—in other words, when the German peace treaty is taken up, which may not be until 1947.

**FUTURE OF REICH'S BORDERS.** Many American observers had long pointed out that it was illogical, to put it mildly, for the United States to acquiesce in the cession to Poland on grounds of security, of large areas of Germany rich in coal and agricultural resources, and yet deny to France the right to claim, on similar grounds, at least a share of control over the Ruhr, base of Germany's prewar industrial development. Some advisers in Washington had therefore proposed that the two territorial issues should be dealt with more or less on the same terms, believing it would prove easier to induce France to abandon its claims about the Ruhr if comparable treatment was proposed in the case of Poland. It had been rumored, moreover, that Russia, not entirely satisfied by current trends in Poland, might itself offer the return of some of the territories temporarily assigned to the Poles, with the object of winning the support of a united German nation. What Mr. Byrnes proposes is that the Saar should be integrated with France; but he emphatically states that the United States "will not favor any controls that would subject the Ruhr and the Rhineland to the political domination or manipulation of outside powers." From the point of view of assuring Allied collaboration, it would, of course, have been desirable that any proposal to reconsider the eastern border of Germany should have been jointly formulated by the Big Three. If this approach was tried, it must be assumed that it proved unfruitful. In the form in which Mr. Byrnes' suggestion is now couched, however, there should be no surprise if it is regarded by both Poland and Russia as an attempt to undermine their position with respect to Germany.

The most striking aspect of Mr. Byrnes' territorial proposal—and the one that was immediately and

sadly noted by the French—is that a little over a year after Potsdam the Big Three are vying with each other to gain the support of the Germans, fearing that a divided Germany will be used by either Russia or the West, as the Secretary of State put it in "a military struggle." We thus see a repetition of the pattern set after 1919 when Germany was able to transform defeat into victory by first coming to terms with outlawed Russia at Rapallo in 1922 then, under Stresemann, turning to a Western orientation at Locarno; and subsequently shuttling back and forth between West and East until the very outbreak of the war, surprising the Western world at the last moment by its non-aggression pact with Russia. Today both Russia and the West, as represented by the United States, would like to see a unified, industrially active Germany; Russia because it needs Germany's manufactured goods, the Western Allies because they do not want to keep on financing German economy, and are convinced that German production is needed for the rehabilitation of the rest of Europe. Where Russia and the West differ is as to the kind of Germany they want to see achieved. The Russians would like to see Germany ruled by what they would consider "friendly" elements—a coalition primarily Socialist-Communist in composition. The Western powers would like to see a "democratic" Germany, and hope that unification will avert the spread of Communist influence.

Which of the two sides will win the support of the Germans? Most important of all, are the Germans, if unified, prepared to play an independent and responsible rôle in Europe—or will they, under either the Byrnes or Molotov program, merely become agents of whichever side seems to offer them the greatest advantages?

VERA MICHELES DEAN

*(The first in a series of articles on Germany in postwar Europe)*

## FAILURE OF MEDIATION CALLS FOR REVIEW OF U.S.-CHINA POLICY

The sale of a million and a half tons of surplus property to the Chinese government at a time when General Marshall and American Ambassador to China, J. Leighton Stuart are seeking to revive the Kuomintang-Communist negotiations serves to emphasize the fundamental dilemma of American policy-makers in China. For over a year the United States, while assuming the rôle of an impartial mediator in China's civil strife, has given invaluable material assistance to the Central government in its military struggle with the Communists. This material aid, taking such forms as postwar lend-lease supplies, American transportation of government troops, and the use of marines to guard sections of government-held railway track in North China, has served to strengthen the authority of Generalissimo Chiang Kai-shek. At the same time, by encouraging intransigent elements within the government, it has

impeded the success of the negotiations.

**TWO ASPECTS OF POLICY.** The latest evidence of Washington's dilemma is particularly significant. On August 31 it was announced in Shanghai that wartime surplus property, including ships, trucks, motors, steel and electrical goods, railway and radio equipment, prefabricated houses, and road-building machines, originally costing more than US \$800,000,000, had been sold to the Chinese government for a far smaller figure (estimated at one-fifth of the original price). While no weapon or other supplies that could be used directly in battle are involved, the items mentioned can be of great civil war significance. The arrangement was concluded in the very week when General Marshall and Ambassador Stuart were seeking to persuade the Generalissimo and Communist negotiator Chou En-lai, to agree to the establishment of a five

man committee (consisting of two government representatives, two Communists and Mr. Stuart) to consider the apportionment of seats in a new State Council. This body, which has never been formed, is to be the highest organ of a new Chinese coalition government, embracing representatives of the government, Communists, third-party elements and non-partisans, under the Political Consultative Conference decisions of last January.

Even if established, the committee would be a lifeless affair in the absence of an accord on the cessation of hostilities and the apportionment of political authority within the country. The assignment of seats in a new government can hardly be decided or, if arranged, cannot be carried out, while the government and the Communists are fighting in a number of key provinces and are in sharp disagreement regarding the character of the political authority to be established in North and Central China and Manchuria. The Communists insist that agreement on a new military truce is the key essential of the present situation. They have stated that they will establish a formally separate government of their areas, if they regard the prospects for peace as hopeless.

**SHADOW OF CIVIL WAR.** The continuance of negotiations should not conceal the fact that the present American effort at mediation has failed. The discussions are going forward not because the Chinese participants really expect anything to come out of them, but because the United States desires to see the talks continue, and in this situation neither Chinese group is willing to take the onus for breaking them off. The chief government purpose is probably to clear the railways of North China, drive the Communists from their main urban or semi-urban centers and then ask for renewed negotiations on the basis of an improved military position. The Communists' objective seems to be to retain as much of their territory as they can to compensate for losses by striking the government at its weak points and, above all, to annihilate government troops, thereby also improving their bargaining power in future

talks. Past history and the present alignment of forces in China suggest a stalemate in which each side will achieve some of its objectives, but there will be no clear-cut decision. In such a situation the highly self-sufficient Communists may come out in a relatively stronger position than the government, whose economic situation is likely to grow more difficult despite American assistance, and whose military power is so dependent on our aid.

**MOTIVES IN MEDIATION.** Although no policy-making official has ever said so in public, it is clear that American actions in China are motivated, first of all, by fear of Russian intentions and a belief that the strengthening of Chinese Communist power would bring an extension of Russian influence in China. Washington is also concerned over the economic weakness of the Chinese government and its lack of genuine popular support. These considerations have resulted in a prolonged effort to promote peace in China, to encourage the Nanking administration to correct some of its shortcomings, and to back it strongly so that it can deal with the Communists without being submerged by them. The effect of our determined support of Nanking, however, has been to strengthen the elements within it that are opposed to internal peace and democratic reforms. Consequently, our aid has little effect in bringing about true stability.

The alternatives in China are not easy for the United States, but the time has plainly come for a far-sighted review of our policy toward that country. It would be well to give attention once more to the principle enunciated by President Truman in his statement of December 15, 1945 when he indicated that our aid to China would be conditioned on the achievement of democratic unity in that country. Fear seems to have prevented us from adhering to this program, but the failure of the alternative course that has been adopted suggests the desirability of returning to the President's original formula.

LAWRENCE K. ROSINGER

*(This is the first of two articles by Mr. Rosinger, who has just returned from a three months' visit to China.)*

## VICTORIOUS LEFTISTS IN CHILE URGE MODERATE ECONOMIC REFORM

That inflation has become a major political issue in Latin America was attested by the Chilean presidential election of September 4 and the food riots in Brazil on August 30 and 31. In both countries price controls have proved ineffectual, and an inflation psychology, compounded of hoarding, wild spending and discontent, has taken hold of many people. In Brazil, where demonstrators called for a 50 per cent cut in prices, estimates of the rise in the cost of living between 1939 and the end of 1945 range from 85 to more than 200 per cent. Prices in Chile, which has a long history of inflation, are outstripping wage increases, and it has become necessary

for employers and employees to negotiate cost of living adjustments at semi-annually rather than annually.

**FOOD AND VOTES IN LATIN AMERICA.** Brazilians and Chileans had been prepared for a difficult transition to a peacetime economy, but the problems they have encountered have not been precisely what they anticipated. Although shipping facilities were made available to Latin American trade much sooner than had been expected, manufactured goods to fill the ships could not be procured from Britain and the United States in the desired quantities. Thus one element in the inflationary rise of



prices, the shortage of imports, was not checked as quickly as Latin Americans had expected. In fact, since inflationary forces cannot be halted at national borders, the inability of the United States thus far to put its own economic house in order has impeded efforts of Latin American countries to stabilize their national economy. Such bugaboos of the war period as the fear that demand for the strategic raw materials of Latin America would level off abruptly at the end of the war, or that foreign dumping would drive infant industries out of business, have failed to materialize. Yet domestic production has suffered either as a result of natural factors (1945 crops were generally disappointing), or of work stoppages and political disturbances. Local scarcities have been aggravated by graft and profiteering universally prevalent in wartime. Political leaders in Latin America, as in other parts of the world, are aware that they will stand or fall on their economic records.

**CHILE RETURNS TO THE LEFT.** Chile's difficulties can be traced to political factionalism, administrative incompetence, and economic deterioration. That the Chilean electorate does not attribute this situation to the left, although leftist governments have been in power since 1938, is indicated by the victory of Senator Gabriel González Videla, candidate of the coalition of the Radical, Democratic, Authentic Socialist and Communist parties. While Senator González does not have the absolute majority over his opponents required by the constitution, his lead of 50,000 votes over the Conservative candidate, Senator Eduardo Cruz Coke, is large enough, his supporters believe, to induce Congress to ratify the electoral results rather than to hold the congressional election customary in this case.

In the interval since the retirement of President Juan Antonio Ríos in November 1945, the composition of the victorious Democratic Alliance has been considerably altered. While the nominally leftist administration was tending further to the right, the leadership of the Radical party, balance-wheel of the Alliance, remained in the hands of the left wing. The stern treatment meted out by Acting President

Alfredo Duhalde, a moderate Radical, to striking unions and their sympathizers at the time of the January-February labor troubles, pointed up the incompatibility of the agrarian right wing and the collectivist-minded left wing of the party. At that time the Radical party withdrew from the government, along with the Communists, leaving the "dissident Radical" faction and the Socialists to form a new cabinet. The two groups came to the final parting of the ways in August when the party directorate, in an unprecedented step, drummed President Duhalde and the "dissident Radicals" out of the party. Meanwhile, the wing of the Socialist party that supported Duhalde presented its own candidate, Bernardo Ibáñez, Secretary-General of the Federation of Labor

The divided condition of the Left as the campaign opened gave certain grounds for optimism on the part of the rightist Liberal, Conservative and Agrarian parties. Their inability to agree upon a common candidate, however, was a decisive factor in their defeat. After former President Arturo Alessandri withdrew from the presidential race, the Liberal party presented his son, Fernando Alessandri, candidate of the Duhalde Radicals as well. The Conservatives' candidate was the eminent physician and philosopher Eduardo Cruz Coke who, in the words of one Chilean commentator, "lifted the face of the party." The four candidates went before the court on fundamentally the same issue—the need to take drastic measures against the inflation which is making life for most Chileans an unrewarding struggle for existence.

The core of Senator González' proposed solution to Chile's economic difficulties is planned industrialization. In domestic policy he will, if elected, be faced with the delicate task of convincing the conservatives that the economic and social measures undertaken by the administration do not constitute a social revolution, while at the same time demonstrating to Chile's underprivileged that these long overdue reforms will actually be carried through. Senator González will seek a policy of broad economic and political cooperation with the United States; and he believes that in the long-term interests of the United States this cooperation should be fully reciprocated. How successful the new administration will be in coping with the basic problem of economic unbalance depends in great measure on whether it is willing to develop sound fiscal and monetary policies and whether, in such an endeavor Chilean opinion can find a common meeting-ground.

OLIVE HOLMES

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